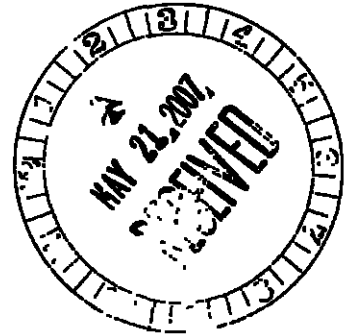


JOHN D. HEFFNER, PLLC
1920 N STREET, N.W.
SUITE 800
WASHINGTON, D.C. 20036
(202) 263-4180
FAX (202) 296-3939
j.heffner@verizon.net

ORIGINAL



May 21, 2007

BY HAND

Hon. Vernon A. Williams, Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

219 348

**RE: STB Finance Docket No. 35034, Carolina Coastal
Railway, Inc. - Lease And Operation Exemption -
Norfolk Southern Railway Company**

Dear Mr. Williams:

On behalf of Carolina Coastal Railway, Inc. , I am submitting an original and ten copies of a verified notice of exemption for the lease and operation of a rail line pursuant to 49 U.S.C. 10902 and 49 CFR 1150.41. In addition, I am enclosing a check for \$1,600 to cover the filing fee and a copy of this filing on a disk formatted in MS Word.

Please date stamp and return one copy of this letter.

FILED

MAY 21 2007

**SURFACE
TRANSPORTATION BOARD**

Sincerely yours,

John D. Heffner
Counsel

Enclosures

cc: Mr. Doug Golden
Greg E. Summy, Esq.

ENTERED
Office of Proceedings

MAY 21 2007

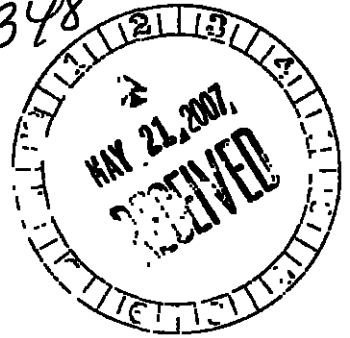
**Part of
Public Record**

219348

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35034

**CAROLINA COASTAL RAILWAY, INC.
-- LEASE AND OPERATION EXEMPTION --
NORFOLK SOUTHERN RAILWAY COMPANY**



**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 U.S.C. 10902 and 49 CFR 1150.41**

NOTICE OF LEASE AND OPERATION OF RAIL LINE

Submitted By:

John D. Heffner
John D. Heffner, PLLC
1920 N Street, N.W.
Suite 800
Washington, D.C. 20036
(202) 263-4180

Counsel for Petitioner

FILED
MAY 21 2007
**SURFACE
TRANSPORTATION BOARD**

**ENTERED
Office of Proceedings
MAY 21 2007
Part of
Public Record**

Dated: May 21, 2007

FEE RECEIVED
MAY 21 2007
**SURFACE
TRANSPORTATION BOARD**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35034

**CAROLINA COASTAL RAILWAY, INC.
-- LEASE AND OPERATION EXEMPTION --
NORFOLK SOUTHERN RAILWAY COMPANY**

**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 U.S.C. 10902 and 49 CFR 1150.41**

NOTICE OF LEASE AND OPERATION OF RAIL LINE

INFORMATION REQUIRED BY 49 CFR 1150.43

Name and Address of Applicant 49 CFR 1150.43(a)

Carolina Coastal Railway, Inc.
116 North Bellevue Avenue,
Suite 206
Langhorne, PA 19047¹

Applicant's Representative 49 CFR 1150.43(b)

John D. Heffner
John D. Heffner, PLLC
1920 N Street, N.W.
Suite 800
Washington, D.C. 20036
(202) 263-4180

¹ Lessor's address is Norfolk Southern Railway Company, Three Commercial
Place, Norfolk, VA 23510

Statement of Agreement(s)

49 CFR 1150.43(c)

Carolina Coastal Railway, Inc. ("CLNA"), an existing class III short line rail carrier, has reached an agreement for the lease and operation of Norfolk Southern Railway Company's ("NSR") line of railroad known as the Raleigh-Plymouth Line between (1) milepost NS-132.0 at Chocowinity in Beaufort County, NC, and milepost NS-228.0 at Raleigh, Wake County, NC and (2) between milepost NS-127.4 at Phosphate Junction, Beaufort County, NC, and the end of track at milepost NS-90.0 at Plymouth, Washington County, NC. CLNA's lease also includes all of the right of way and adjacent real property described as The Pocket Track and the Old Engine/Shop Tracks located in Chocowinity Yard and all of the remaining former East Carolina Railway trackage (now industrial spurs) in Farmville, NC, as well as incidental overhead trackage rights within Raleigh Yard (milepost NS-228.0 to milepost NS-232.0) for the purpose of interchange and within Chocowinity Yard (milepost NS-127.4 to milepost NS-132.0) for the purpose of interchange and connectivity of its lines.

The lease term is 20 years, with a renewal term of 10 years, but the lease may be terminated by either party prior to the end of the term in accordance with the lease provisions

This lease and operation transaction involves approximately 133.4 route miles of track plus 8.6 miles of incidental trackage rights.

CLNA plans to close this transaction and commence operations after all applicable notice periods have run, more than 30 days from the date of filing this notice, or on or about June 21, 2007.

Operator of the Property

49 CFR 1150.43(d)

In all cases anticipated by this Notice, and as described in the transaction summary provided below, CLNA will hold itself out to provide common carrier rail freight service over the subject rail facilities.

Brief Summary of Transaction

49 CFR 1150.43(e)

This exemption involves the lease and operation of approximately 133.4 route miles of trackage owned by NSR including trackage rights over NSR plus 8.6 miles of incidental trackage rights. As a result of this transaction, CLNA will add to its current operation² the 133.4 miles of track that NSR presently owns and operates plus the above-referenced trackage rights.

² CLNA currently operates a line of railroad between Pinetown, Beaufort County, NC (milepost BL-0 26) and Bellhaven, Beaufort County, NC (milepost BH-17 0). The subject rail line will connect with CLNA's existing line at Pinetown at milepost NS-113.3.

Map

49 CFR 1150.43(f)

A map depicting the railroad trackage to be acquired and operated is attached as Exhibit A.

Certificate of Carrier Classification **49 CFR 1150.43(g)**

CLNA certifies that, with this acquisition, its projected annual revenues will be less than \$5,000,000 annually. A certificate complying with the provisions of 49 CFR 1150.43(g) is attached as Exhibit B to this notice.

Labor Protection

Under 49 U.S.C. 10902 the imposition of labor protective conditions are not authorized for a class III railroad acquisition and thus none should be imposed on this transaction.

Caption Summary

49 CFR 1150.44

A caption summary in the prescribed form is attached as Exhibit C to this Notice.

Environmental and Historic Preservation Data **49 CFR 1105**

Pursuant to 49 CFR 1105.6(c) (2), the proposed transaction is exempt from environmental review under 49 CFR 1105(c) (2) (1), because the actions proposed herein will not cause any operating changes that exceed the thresholds established in 1105.7(e) (4) or (5).

In addition, this transaction is exempt from historic review under 1105.8(b)(1). Under this section, a sale, lease or transfer of a rail line is exempt if rail operations will continue. Further Board approval is required for the parties to abandon service, and there are no plans to dispose of or alter the properties subject to Board jurisdiction.

Respectfully submitted,

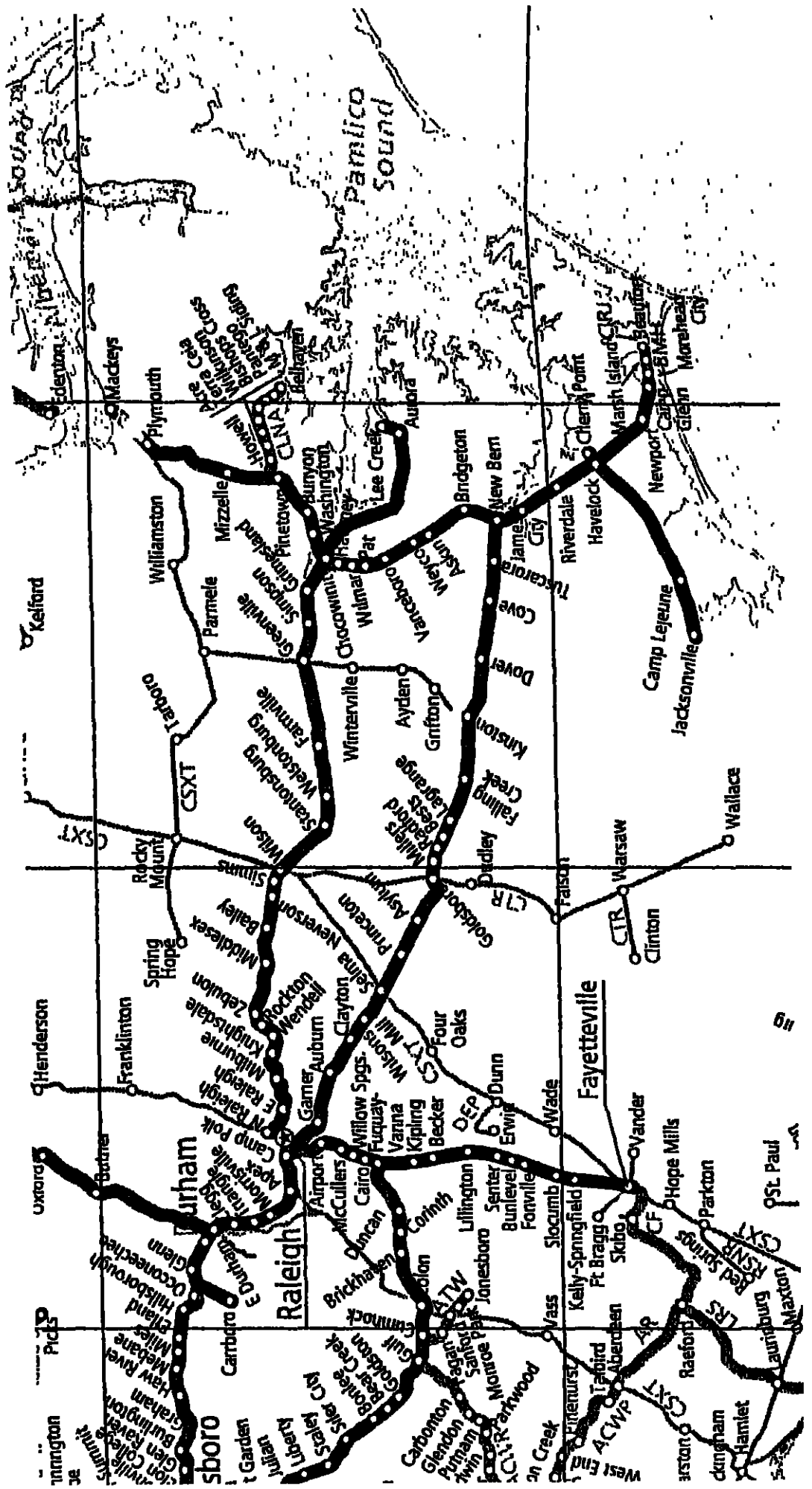
A handwritten signature in black ink, appearing to read "John D. Heffner", with a long horizontal flourish extending to the right.

John D. Heffner
John D. Heffner, PLLC
1920 N Street, N.W.
Suite 800
Washington, D.C. 20036
(202) 263-4180

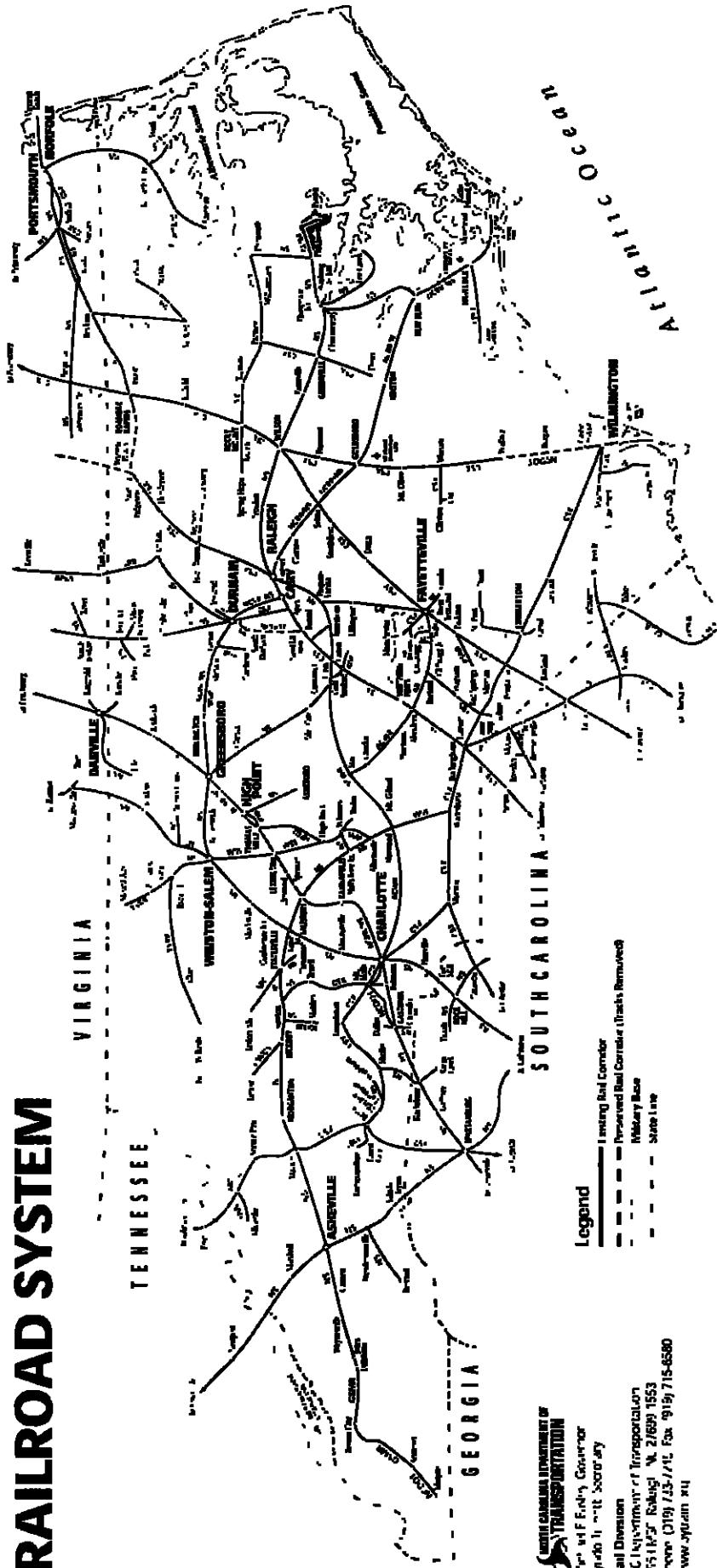
Counsel for Applicant

Dated: May 21, 2007

EXHIBIT A



North Carolina RAILROAD SYSTEM



North Carolina Department of
TRANSPORTATION

North Carolina Governor

North Carolina Secretary

Rail Division

Department of Transportation

1551 Mth Raleigh, N. C. 27699-1553

Phone (919) 733-1711 Fax (919) 715-6580

www.ncdot.gov

Legend

- Existing Rail Corridor
- Proposed Rail Corridor (Tracks Removed)
- Military Base
- State Line

AMTRAK Stations in North Carolina

- Asheboro
- Charlotte
- Durham
- Fayetteville
- Greensboro
- High Point
- Kannapolis
- Raleigh
- Rocky Mount
- Salisbury
- Wilmington

Information: 1-800-BYTRAIN (1-800-298-7246)
Reservations: 1-800-USA-RAIL (1-800-872-7246)

RAILROAD LINES

- ACNR: Atlantic Carolina & Western Railway
- AB: Aberdeen & Rockfish Railroad
- ABC: Alexander Railroad
- ATW: Atlantic & Western Railway LP
- CA: Chesapeake & Albemarle Railroad
- CALA: Carolina Southern Railroad
- CPR: Cape Fear Railways
- CLNA: Carolina Canal & Navigational Railway
- CPJ: Cape Fear Navigation Railroad
- CSX: CSX Transportation

RAILROAD LINES

- CTR: Carolina Trolley Railroad
- CWCY: Caldwell County Railroad
- HPTD: High Point, Thomasville & Denton Railroad
- IRS: Lenoir & Southern Railway Company Inc
- MST: Marshfield and Southfork Railroad Company
- NCRT: N.C. Department of Transportation
- NCRR: North Carolina Railroad Company
- NCNA: North Carolina & Virginia Railroad
- MMW: New Hope Valley Railroad
- NS: Norfolk Southern Corporation

RAILROAD LINES

- PDOR: Piedmont River Railway
- BSNR: Red Springs & Northern Railroad
- SLR: South University Railroad
- TBRV: Thermal Belt Railway
- US: US Military
- VSRR: Virginia Southern Railroad
- WSS: Winston-Salem Southbound Railway
- WTRY: Wilmington Inland Railroad Inc
- VVR: Yadon Valley Railroad



EXHIBIT B

CERTIFICATION

I, Douglas Golden, an officer of the Carolina Coastal Railway Inc (" CLNA ") hereby certify under penalty of perjury that the projected annual railroad operating revenues of CLNA, in the aggregate, will not exceed \$5,000,000, and that CLNA will be a Class III rail carrier as set forth at 49 CFR 1201 (1-1) (a). Further, I certify that I am qualified and authorized to make this certification on behalf of CLNA.



Signature

EXHIBIT C

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35034

**CAROLINA COASTAL RAILWAY, INC.
-- LEASE AND OPERATION EXEMPTION --
NORFOLK SOUTHERN RAILWAY COMPANY**

**VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 U.S.C. 10902 and 49 CFR 1150.41**

NOTICE OF ACQUISITION AND OPERATION OF RAIL LINE

Carolina Coastal Railway, Inc. ("CLNA") an existing class III short line rail carrier, has filed a Verified Notice of Exemption under 49 CFR 1150.41 to lease and operate a railroad line currently owned and operated by Norfolk Southern Railway Company ("NSR") known as the Raleigh-Plymouth Line between (1) milepost NS-132.0 at Chocowinity in Beaufort County, NC, and milepost NS-228.0 at Raleigh, Wake County, NC and (2) between milepost NS-127.4 at Phosphate Junction, Beaufort County, NC, and the end of track at milepost NS-90.0 at Plymouth, Washington County, NC. CLNA's lease also includes all of the right of way and adjacent real property described as The Pocket Track and the Old Engine/Shop Tracks located in Chocowinity Yard and all of the remaining former East Carolina Railway trackage (now

industrial spurs) in Farmville, NC, as well as incidental overhead trackage rights within Raleigh Yard (milepost NS-228.0 to milepost NS-232.0) for the purpose of interchange and within Chocowinity Yard (milepost NS-127.4 to milepost NS-132.0) for the purpose of interchange and connectivity of its lines.

The lease term is 20 years, with a renewal term of 10 years, but the lease may be terminated by either party prior to the end of the term in accordance with the lease provisions

This lease and operation transaction involves approximately 133.4 route miles of track plus 8.6 miles of incidental trackage rights.

CLNA plans to consummate this transaction on or about 30 days from the date of filing this notice, approximately June 21, 2007.

This notice is filed under 49 C.F.R. 1150.41. If the notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 35034, must be filed with the Surface Transportation Board, Office of the Secretary, Case Control Branch, 395 E Street, S.W., Washington, D.C. 20423. In addition, a copy of each pleading must be served on:

John D. Heffner, Esq.
John D. Heffner, PLLC
1920 N Street, N.W.,
Suite 800
Washington, D.C., 20036
Telephone: (202) 263-4180

Greg E. Summy, Esq.
Law Department
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, VA 23510
Telephone: (757) 533-4890

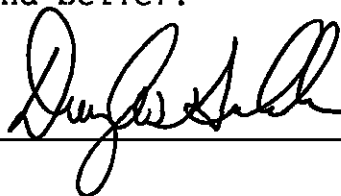
Vernon A. Williams
Secretary

(seal)

VERIFICATION

STATE OF)
) SS
CITY OF)

Douglas Golden, being duly sworn according to law,
hereby deposes and states that (s)he is authorized to make the
Verification, has read the foregoing document, and knows the
facts asserted therein are true and accurate as stated, to the
best of (her)his knowledge, information and belief.



Subscribed and sworn to before me, a Notary Public, in and for
the City of LANGHORNE in the State of PENNSYLVANIA, this 30
day of MAY, 2007


Notary Public

My Commission expires:

09/21/2010

